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STANROCK URANIUM MINES
L I M I T E D
A N N U A L R E P O R T

1970

STANROCK URANIUM MINES LIMITED

80 Richmond Street West
Toronto 1, Ontario, Canada

Officers

GEORGE ROWE, JR. - - - - - *President*
D. C. MARSHALL - - - - - *Vice-President and Treasurer*
HARMON DUNCOMBE - - - - - *Secretary*

Directors

JAMES BRUCE

Director of Loew's Theatres Inc., Ramco Enterprises, Inc., John B. Stetson Co., and Cartier Inc.; formerly United States Ambassador to the Argentine.

HARMON DUNCOMBE

Secretary of the Company; Member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, International Flavors & Fragrances Inc.

JOHN R. DUNNING

Lindsley Professor of Applied Science of Columbia University, New York, N.Y. Formerly Dean of the Faculty of Engineering and Applied Science and Director of Scientific Research for that University. Director of City Investing Company and Axe Science Corp.

ROBERT FRANKEL

President of Frankel Shops, Inc., Long Island, N.Y. Director of Cybermark Systems Inc. and Optronics Systems Inc., and Chairman of the Board of Ram-Hart Systems Inc., Folio One Productions Ltd., K & F Enterprises Inc. and Colonial Commercial Corp.

V. V. JACOMINI

Independent business consultant, Houston, Texas.

D. C. MARSHALL

Vice-President, Treasurer and Member of the Executive Committee of the Company.

JOHN F. A. NISCO

President of World Resources Corporation, Cupertino, California.

D. S. ROBERTSON

Member of the Executive Committee of the Company; Consulting Geologist, Toronto.

GEORGE ROWE, JR.

President and Member of the Executive Committee of the Company; Member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, Foster Wheeler Corporation.

J. CARLTON WARD, JR.

Member of the Executive Committee of the Company; independent business consultant, Norfolk, Connecticut; formerly President and Chairman of the Board, Vitro Corporation of America.

Counsel

FULTON, WALTER & DUNCOMBE
30 Rockefeller Plaza
New York, N.Y. 10020

CASSELS, BROCK
165 University Avenue
Toronto 1, Ontario

Auditors

HARBINSON, GLOVER & CO.
101 Richmond St. West
Toronto, Ontario

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STANROCK URANIUM MINES LIMITED

Suite 804 - 80 Richmond St. West
TORONTO 1, ONTARIO
CANADA

SEMI-ANNUAL REPORT TO SHAREHOLDERS

AUGUST 4, 1970

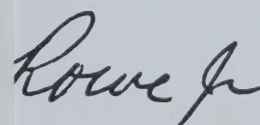
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Special Meeting.

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President.

August 4, 1970

Dear Fellow Shareholder:

As previously reported by the press, your Company's stock was delisted by the American Stock Exchange in June. The reason for the Exchange's action was that we have reported losses in each of our last three fiscal years and thereby fallen below the Exchange's listing standards. There were no new developments which had come to the Exchange's attention which caused it to delist our stock. The Company continues to be in sound financial condition, with a favorable net current and cash position and good prospects for the future. We regret the delisting, particularly since it was followed by a sharp drop in the quoted price for your Company's stock.

GEO
D. C
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JAMES BRUCE
Director of Loew's
Prizes, Inc., John
Inc.; formerly Uni
Argentine.

HARMON DUNCOMB
Secretary of the Com
of Fulton, Walter
Director, Internatio

JOHN R. DUNNING
Lindsley Professor
University, New Yo
Faculty of Engineer
Director of Scientific
Director of City
Science Corp.

ROBERT FRANKEL
President of Frankel
Director of Cybernetic
Systems Inc., and C
Hart Systems Inc.,
K & F Enterprises
Corp.

Our stock will continue to be listed and traded on the Toronto Stock Exchange and we expect to have quotations of prices on that Exchange reported regularly by newspapers in the U.S. The stock will also be traded over-the-counter in the U.S.

The evidence is overwhelming that orders for nuclear power plants will increase throughout the world and thus lead to an increase in demand for uranium oxide. As we have previously reported to you, we are not presently able, however, to reactivate our facilities and resume large scale mining and milling operations with assurance of a suitable profit, given the current prices being paid for uranium oxide (in the area of \$7 per pound). It seems apparent so far that the projected increase in demand for nuclear power plants is not being matched by new discoveries of low cost uranium deposits. Accordingly, we believe that market conditions for U_3O_8 are bound to improve.

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The Atomic Energy Commission has reported that in the period from January 1 to June 30, 1970 American electric utilities announced plans for nine nuclear power plants with a capacity of 8,438,000 kilowatts. In 1969, plans for only six nuclear plants were announced.

Earlier this year the contract under which we had been selling to a reactor manufacturer the modest quantities of U_3O_8 produced by us by bacterial leaching expired and was not renewed. Our policy is to conserve our assets and our cash so that we will be in a position to take advantage of a market upturn when it develops. In July of this year, we took steps to reduce our administrative and operating expenses, and we expect to curtail those expenses further unless the Canadian government renews its stockpiling program or extends financial assistance to Canadian uranium companies in some other form.

We will continue to be on the lookout for opportunities to merge with or acquire other companies, with a view to putting to more immediate use our \$18.6 million of capital cost allowances for Canadian income tax purposes.

We include herewith a summary of results for the first six months of 1970.

Very truly yours,

GEORGE ROWE, JR.,

President.

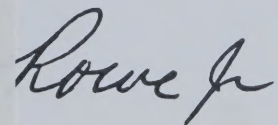
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our efforts to acquire ducing properties, so e our \$18,500,000 of me for tax purposes.

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unity again to thank , Mine Manager, for ormance. We thank air support.

s,



President.

STANROCK URANIUM MINES LIMITED

STATEMENT OF EARNINGS

For the Six Months Ended June 30

GEO
D. C
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	1970	1969
Sales	\$ 143,641	\$ 231,189
Operating and administrative costs	254,988	268,912
	111,347	37,723
Other income	10,486	17,269
Net loss	\$ 100,861	\$ 20,454

JAMES BRUCE

Director of Loew's
prises, Inc., John
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President of Franke
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Systems Inc., and C
Hart Systems Inc.,
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Corp.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30

	1970	1969
Source of funds:		
Sale of shares	—	\$ 67,150
Application of funds:		
Loss for the period	\$ 100,861	20,454
Depreciation and amortization	(9,000)	(9,000)
Purchase of fixed assets	—	1,602
Deferred charges	53,538	51,089
Advances to subsidiary	546	336
Prior years' adjustment	6,075	—
	152,020	64,481
Increase or decrease () in working capital ...	(152,020)	2,669
Working capital, January 1	742,767	898,340
Working capital, June 30	\$ 590,747	\$ 901,009

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STANROCK URANIUM MINES LIMITED

President's Report

TO THE STOCKHOLDERS:

Financial statements for your Company for the 1970 year are included with this report.

As most of you know from press reports, the long term prospects for the uranium industry are excellent. During 1970, 17 new nuclear power reactors were ordered in the United States, with a combined capacity of 17,336,000 kilowatts, representing more than a doubling of last year's orders and bringing the total nuclear power capacity now on line, under construction or ordered to approximately 85,000,000 kilowatts. As most of you also know from press reports, however, the industry has been beset lately by significant problems. Nuclear reactors have taken longer to construct, have encountered more technical difficulties and have cost more than anticipated. In addition, the industry has encountered opposition from individuals and groups who are concerned with the effect upon our environment of power generating facilities including nuclear power reactors.

For Stanrock, the net result has been that the demand for U_3O_8 which we had anticipated did not materialize, and we were compelled during the year to shut down our Elliot Lake operations and place our mine and mill in a standby condition, pending improvement in market conditions. Fuel producers such as Stanrock were further affected by discoveries of high grade uraniferous mineral deposits in Australia which, if they turn out to be present in large quantities, may hold down the price of U_3O_8 for some time.

As a consequence of the uncertainties thus created that we would be able to resume conventional large scale operations in the

near future, we have written off in 1970 as a special charge \$567,000 of expenses, the bulk of which consists of shutdown expenses, and deferred expenses incurred in prior years in preparing our facilities for large scale production.

We are continuing our efforts to acquire Canadian income producing properties, so that we may put to use our \$18,500,000 of allowances against income for tax purposes.

As we previously announced, we signed a letter of intent with Combustion Engineering Inc., looking to a transaction between our two companies. The proposed transaction is subject to various conditions, including approval of the boards of directors of the two companies, approval by the shareholders of Stanrock, approval of appropriate governmental authorities and negotiation of a definitive agreement. We expect to mail you in due course proxy materials concerning that transaction and a Special Meeting of Shareholders to be called to consider and act upon it. We expect to postpone our regular Annual Meeting of Shareholders and to hold it at the same time as the Special Meeting.

We take this opportunity again to thank Mr. B. G. MacDermid, Mine Manager, for his customary fine performance. We thank our shareholders for their support.

Very truly yours,



President.

April 30, 1971.

STANROCK URANIUM

Balance Sheet as at

ASSETS

		1969 Comparative figures
Current:		
Cash	\$ 327,318	\$ 183,636
Accounts receivable	2,469	508,470
Inventory — yttrium oxide at lower of cost or market	3,790	3,790
Prepaid expenses	36,228	131,941
	<u>369,805</u>	<u>827,837</u>
Investment in and advances to subsidiary	8,224	6,786
	<u>8,224</u>	<u>6,786</u>
Fixed, at cost:		
Mining properties	596,932	596,932
Land	24,000	24,000
Buildings, machinery and equipment	\$16,137,146	16,137,146
Less: Accumulated depreciation	<u>16,108,996</u>	<u>(16,083,951)</u>
	28,150	
	<u>649,082</u>	<u>674,127</u>
Option payments (Note 1)	27,506	27,506
Deferred exploration charges	206,524	174,511
Deferred charges (Note 2)	—	373,656
	<u>\$1,261,141</u>	<u>\$ 2,084,423</u>

AUDIT

To the Shareholders of
Stanrock Uranium Mines Limited

We have examined the balance sheet of Stanrock Uranium Mines Limited and the statement of funds for the year then ended. Our examination included a general review of the evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at the year end, the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario,
April 2, 1971.

MINES LIMITED

December 31, 1970

LIABILITIES

Current:

Accounts payable and accrued liabilities	\$ 48,798	\$ 45,070
Note payable due within one year	—	40,000
	<u>48,798</u>	<u>85,070</u>

SHAREHOLDERS' EQUITY

Capital:

Authorized:

10,000,000 Common shares with a par value
of \$1.00 each (Note 3)

Issued, fully paid and non-assessable:

6,546,323 Common shares	\$6,546,323	6,546,323
Less: Discount on shares (net)	2,105,173	2,105,173

4,441,150 4,441,150

Deficit 3,228,807 2,441,797

1,212,343 1,999,353

Approved on behalf of the Board:

GEORGE ROWE, JR., Director.

D. C. MARSHALL, Director.

\$1,261,141 \$2,084,423

REPORT

December 31, 1970 and the statements of earnings, deficit and source and application
accounting procedures and such tests of accounting records and other supporting

the company as at December 31, 1970 and the results of its operations and the
accepted accounting principles applied on a basis consistent with that of the preceding

HARBINSON, GLOVER & CO.,
Chartered Accountants.

STANROCK URANIUM MINES LIMITED

Statement of Earnings For the Year Ended December 31, 1970

		1969 Comparative figures
Sales of uranium	\$ 143,641	\$ 427,885
Operating expenses:		
Washing and milling	\$ 217,373	406,583
Administrative	144,925	165,733
Depreciation	25,045	24,725
	<u>387,343</u>	<u>597,041</u>
	243,702	169,156
Other income:		
Interest	23,667	23,299
Miscellaneous	4,485	14,031
	<u>28,152</u>	<u>37,330</u>
Net loss for the year before special items	215,550	131,826
Special items:		
Acquisition and related expenses	3,842	1,832
Shutdown costs	189,701	
Restoration of plant and mine previously deferred (Note 2)	373,656	
	<u>567,199</u>	
Sale of machinery and equipment	(1,814)	(1,500)
	<u>565,385</u>	<u>332</u>
Net loss after special items	<u>\$ 780,935</u>	<u>\$ 132,158</u>

STANROCK URANIUM MINES LIMITED

Statement of Deficit For the Year Ended December 31, 1970

		1969 Comparative figures
Balance, beginning of year	\$2,441,797	\$2,350,466
Add: Adjustments to prior years' earnings	6,075	—
Income taxes recovered	—	(40,827)
	<u>2,447,872</u>	<u>2,309,639</u>
Net loss for year after special items	780,935	132,158
Balance, end of year	<u>\$3,228,807</u>	<u>\$2,441,797</u>

Statement of Source and Application of Funds For the Year Ended December 31, 1970

		1969 Comparative figures
Source of funds:		
Issue of shares for cash	\$ —	\$ 68,084
Income taxes recovered	—	40,827
	<u>—</u>	<u>108,911</u>
Application of funds:		
Net loss for the year, less depreciation and restoration of plant and mine previously deferred (Note 2)	382,234	107,433
Purchase of fixed assets:		
Machinery and equipment	—	1,602
Deferred and exploration charges	32,013	115,001
Advances to subsidiary	1,438	448
Reduction in note payable	—	40,000
Prior years' expenses	6,075	—
	<u>421,760</u>	<u>264,484</u>
Decrease in working capital	421,760	155,573
Working capital, January 1	742,767	898,340
Working capital, December 31	<u>\$ 321,007</u>	<u>\$ 742,767</u>

STANROCK URANIUM MINES LIMITED

Notes to Financial Statements

As at December 31, 1970

- Note 1.** In November 1967, the Company obtained an option to acquire a 51% interest in a group of seventeen mining claims in the Elliot Lake area. To exercise the option the Company is required to expend an additional \$120,000 prior to 1977 on such claims.
- Note 2.** In anticipation of the early resumption of large scale conventional mining and milling operations, the Company in prior years deferred expenses of a feasibility study and expenses incurred in the restoration of the Company's Elliot Lake mine, mill and related facilities. In view of the unlikelihood at this time that such an early resumption of such operations will take place, and in view of the cessation of bacterial leaching operations at the plant site, such deferred expenses have been charged to earnings in this year.
- Note 3.** Options outstanding as at December 31, 1970:
- (a) Option granted during 1966 to an officer for 5,000 common shares of the Company, exercisable before May 24, 1971 at \$1.70 (U.S.) per share.
 - (b) Option granted during 1968 to an officer for 5,000 common shares of the Company, exercisable before February 7, 1973 at \$4.06 (U.S.) per share.
 - (c) Options granted during 1970 to officers and other key employees for 85,000 common shares of the Company, exercisable before July 29, 1975 at \$.71 (Canadian) per share.
- Note 4.** As of the date of this balance sheet, the Company has approximately \$18,500,000 in un-depreciated capital cost allowance which may be claimed for tax purposes, at the rate determined by law, against future taxable income of the Company.
- Note 5.** In April 1971, the Township of Elliot Lake appealed from a decision of the District Court of the District of Algoma in which the court reduced municipal taxes levied against the Company in respect to year 1970. If the Township were to be successful upon such appeal, the Company's liability for such taxes would be increased by a maximum of \$74,700. No provision for this liability has been made in the financial statements.